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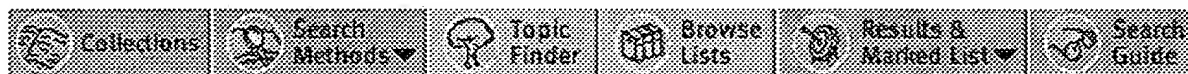
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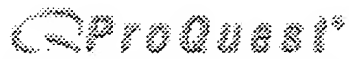
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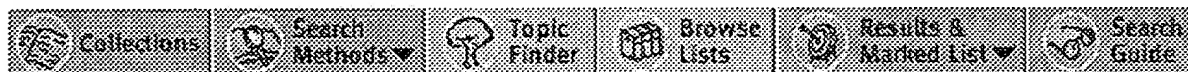
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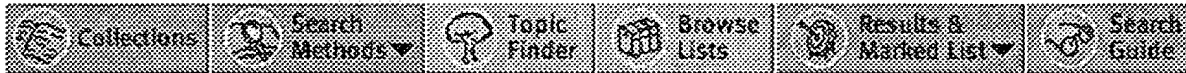
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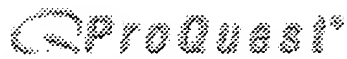
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## Pricing education in the United States of America: responding to the needs of business

*Sarah Maxwell. The Journal of Product and Brand Management. Santa Barbara: 1998. Vol. 7, Iss. 4; pg. 336*

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Subjects: [Marketing](#), [Pricing policies](#), [Market research](#), [Consumer behavior](#)  
 Classification Codes: [7100 Market research](#), [7000 Marketing](#), [9190 United States](#)  
 Locations: [United States](#), [US](#)  
 Author(s): [Sarah Maxwell](#)  
 Article types: Feature  
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**Abstract** (Article Summary)

In the affluent 1960s and 1970s, consumer tended to be price insensitive. Business consequently placed a low priority on pricing, and marketing educations in the USA responded by stressing the non-price elements of the marketing mix. As a result, when consumers became more price sensitive in the 1980s and 1990s, and business became more concerned about pricing, marketing was not involved. Now, however, marketing educators are beginning to respond to the renewed emphasis on price as a key component in consumers' perceived value.

**Full Text** (2700 words)

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Sarah Maxwell: Assistant Professor of Marketing, Graduate School of Business, [Fordham University](#), New York, USA

**ACKNOWLEDGMENT:** This research was made possible by a grant to the Fordham Pricing Center.

"

All four Ps are essential to the marketing mix. In fact, they are interdependent. But is any one more important than the other three? Generally speaking, the answer is no. (McCarthy, 1978, p. 43)"

Despite McCarthy's claim of equal importance for all the four Ps, price has tended to receive less attention from marketing educators in the USA. New evidence, however, indicates that price is beginning to receive more equitable treatment. It appears that both the earlier lack of interest and the current resurgence of interest are due to marketing educators responding to the changing needs of business.

### Background

In 1964, Udell reported that only 50 percent of the 135 business managers surveyed considered pricing to be one of the top five factors of marketing success. He explained the lack of interest as being due to "the relatively well-to-do consumers of today (who) are interested in more than just price. They are interested in product quality, distinctiveness, style and many other factors which lead to both physical and psychological satisfaction" (Udell, 1964, p. 45).

Responding to the non-price concerns of their customers, businesses in the 1960s focussed on the other elements of the marketing mix. For example, in a contemporary Harvard Business Review article (Sampson, 1964, p. 105), the author presented the many "desensitizing factors" which would diminish the impact of price changes so that "moving up from a low price position is perhaps safer than we thought." Responding to the non-price concerns of business, marketing educators focussed on these desensitizing factors, a focus which lasted for the next three decades.

The lack of attention to pricing in US marketing education has been demonstrated by the dearth of upper level courses in pricing. A study by Snyder and Stanley (1990) of 250 marketing programs indicated that less than 4 percent included a course in pricing. A subsequent survey of the marketing courses offered at more than 150 accredited business schools (Kellerman et al., 1991) indicated that only 1 percent of the courses was on pricing, considerably fewer than the 70 percent of courses on promotion and the 25 percent on distribution.

The continuing low priority of pricing in marketing education was confirmed in a recent study in which academics rated as essential courses in Marketing Research, Consumer Behavior and Advertising, but not courses in Pricing (Dodds, 1997). On a five-point scale (1 = essential; 5 = would not be missed), "product and price management" had a mean rating of 3.52 (s.d. 1.19) and "price management" had a mean rating of 3.76 (s.d. 1.04).

However, some time during the 1980s, while marketing researchers and educators continued to focus on the non-price elements of the marketing mix, consumers became more price conscious. Consumers began to use price to decide where to shop. For example, in a speech on retailing, Liebmann (1996) reported that as a result of the recessionary economy, consumers' cited price as the primary reason for choosing a specific shopping outlet. Consumers also used price to determine "value", judging utility as a trade-off of benefits and price, the "give" and "get" components of an exchange (Zeithaml, 1988). For example, a national survey of 582 consumers (Roberts, 1996) demonstrated that price, along with convenience and value, is now one of the consumer's most important buying criteria. Today, despite the improved economy of the 1990s, "value conscious consumers (are) as resistant to price increases as ever" (Ono, 1994).

Faced with the consumers' increased price sensitivity, businesses have been forced to respond. The change first became apparent when Fleming and Associates (1984, 1986) published surveys showing that pricing had become the most important pressure point for top marketing managers. More recently, a [Dun and Bradstreet](#) survey (Credit Control, 1996) of 1,900 companies showed that fewer businesses are now planning price increases. In fact, rather than increasing prices, several companies have had to decrease them: not only [McDonald's](#) but also manufacturers like Post, [Kellogg's](#) and [General Mills](#) have had to cut their prices by as much as 20 percent (Discount Store News, 1996).

As a result of the pressure on prices, a survey (Dolan and Simon, 1997) of 186 managers (a third from the USA and two-thirds from Europe) showed that pricing of all types of goods and services has become the most important marketing issue in business today. On a scale from 1 (low pressure problem) to 5 (high pressure problem), the pricing of industrial goods was rated 4.5; consumer goods, 4.2; and services 4.1.

### Marketing input into pricing

Despite the growing concern of business people for pricing, it appears that marketing educators have been slow to respond. In a study conducted in 1995, 47 marketing managers were interviewed by the author's undergraduate students. Their responses (see Table I) suggest that marketing is not often involved in determining price in

businesses. It appears that businesses do not consider pricing to be a concern of marketing, and do not consider pricing instruction to be a concern of marketing education: only two managers mentioned pricing as one of the topics which should be taught in the marketing curriculum. By the mid-1990s, the emphasis of not only marketing educators but also marketing professionals on the non-price aspects of the marketing mix seems to have isolated marketing from involvement in pricing decisions.

#### Marketing educators shift attention to pricing

Evidence of increased interest in pricing on the part of US educators was suggested by the Dodds (1997) study cited earlier. It showed that faculty recognized the importance of pricing in business, allocating it 22.5 points out of the 100 to be divided among the entire marketing mix. At that time, however, they had not yet transferred the perceived importance of pricing into the classroom: they allocated only 19.8 points to the importance of pricing in marketing education, a significant difference ( $p = 0.01$ ).

To determine whether marketing educators are now responding to the recognized interest of business in pricing, a second survey was conducted. The respondents were the chair persons of 700 marketing departments of business schools in the USA. There were 204 usable replies returned for a response rate of 29 percent. The results indicated increased interest in pricing on the part of educators. Of the marketing departments 13 percent now offer a course in pricing and an even more portentous 22 percent of the remaining are interested in adding a course in the next two years. Of those now offering a course, most are providing an integrated "product and price management" course (Schibrowsky, 1995) or a "value" course (Dodds, 1997). On a scale from 1 (not important) to 7 (extremely important), over two-thirds of the respondents rated pricing education as important (see Table II). The mean score was 4.94 (s.d. 1.27).

Many (79 percent) of the academic respondents also added comments to the survey. Of these, the largest group (43 percent) cited the obvious importance of pricing in marketing education. Many of these felt that pricing was just as important as in the other Ps and "should be given the same attention in marketing education". As one academic declared, "all Ps need to be integrated so students recognize that one 'P' depends on the other three".

Several respondents pointed out that pricing today is even more important than in the past, particularly "in light of intensifying global competition". One respondent reported, however, that despite the growing need, "insufficient coverage of pricing exists". Another respondent added that price "deserves more emphasis than it has received". Due to the lack of attention to pricing, "feedback from alumni identify pricing as our most serious curriculum gap".

Despite the recognized importance of pricing, nearly one-third (30 percent) of those who commented advocated maintaining the status quo in pricing curriculum. They felt that the subject of pricing is covered adequately in other marketing courses. A typical response was that "we believe it is important, but not that important to justify dedicating a course for it".

One reason for not providing a separate course in pricing was the lack of necessary resources. This reason was cited by 4 percent of the respondents who represented primarily schools having no marketing department. Other reasons were more negative. For example, one respondent said that we "don't prioritize (pricing) as highly as we do the other areas". Another stated frankly, "Price is an important variable, although less so than product, distribution or promotion".

A small contingent (2 percent) claim that pricing is basically uninteresting, "of little or no interest to marketing academics." As one academic put it, "I don't think that there is enough to say about pricing to have a whole course on it". Another stated bluntly, "It's boring".

A couple of respondents echoed the earlier stated fact that marketing professionals often have no input into pricing decisions: "(Pricing) is quite important but many marketing managers do not have the authority to set prices. In many companies, marketing handles three Ps, not four". The implication is that, since marketers are not involved with pricing, marketing education should not be involved with pricing.

Two interesting debates emerged out of the data: the first was whether pricing is a controllable variable. If prices are not controllable, goes the argument, then there is no reason to waste time on pricing education. The group in favor of this proposition held that prices, particularly in the consumer market, "are competitively driven today". "In most cases this (price) is a decision made collectively by competition". As a result, "pricing tends to be perceived as a 'non-controllable'".

The opposing group considered pricing education to be vital since pricing needs to be "the most flexible of the marketing mix". It is, according to one respondent, "one of the four variables which managers manipulate as they set and then adjust market strategies". Another agreed that prices "are the most important marketing mix variable that can be easily manipulated for profitability".

The second debate concerned whether pricing is actually a marketing concern or could it be better covered in other departments, particularly economics. Representing one side of the argument, a respondent wrote, "Although I believe (price) is important, I think that it is properly covered in economics". Three other respondents agreed, explaining that they cover pricing in Principles of Marketing as well as in accounting, finance and economics. "I think that's sufficient," one concluded.

The opposing view was that "economics teaches theory only". "We want our students to view and learn pricing from a consumer perspective". Summarizing the argument, a third respondent explained, "Economics is the foundation of marketing. Economists understand the importance of price theoretically. Marketers must understand it in theory and practice."

#### Importance of pricing: marketing professionals versus educators

To compare the relative importance of pricing education to educators and marketing professionals, an additional survey was conducted of 276 members of the New York Marketing Association. There were 26 responses for a response rate of only 11 percent. The low response rate reflects the interests of the respondents, most of who specialize in marketing research and advertising where pricing is usually not a factor. The results indicated that while marketing professionals still rate pricing education more important than do educators, the difference is not significant ( $p = 0.76$ ) (see Table III).

The response from marketing professionals also indicated a high degree of interest in hiring students with training in pricing. Of the respondents, 71 percent reported that in recruiting students for positions in marketing, they would be more interested in those who had taken a marketing course in pricing. A pricing course was considered of interest for many different marketing positions including sales, promotions, market research, advertising, product management, new product development, database marketing, consulting positions, analysis, project directors, distribution - practically every position in marketing.

The marketing professionals believed that pricing should be taught in not only marketing but also economics (75 percent), accounting (67 percent) and engineering (25 percent). Some of the topics which should be covered are competitive pricing, industry pricing standards, new product versus mature product marketing. Business people felt that such a pricing course should be presented at both the undergraduate level (75 percent) as well as the MBA level (79 percent). A majority (54 percent) also recommended industry seminars.

The marketing professionals explained their high rating of the importance of pricing education with comments such as "Pricing is an integral part of the product/competitive offering". "Pricing affects both bottom line profitability and consumer preference". "Since only 20 percent of your customers make the profits for you, price is the key to maximizing this relationship". "(Price is) more important today than ever".

#### Conclusion

To conclude, for three decades marketing educators responded to the need of business for education in the non-price factors which lead to customer satisfaction. Now that customers have become more price sensitive, business people have a renewed interest in the impact of price, and academics are beginning to recognize its importance. However, the amount of marketing education devoted exclusively to pricing is still low. Price may have been cited by McCarthy as one of the four equal Ps of the marketing mix, and a commonly used marketing textbook such as that by Kotler and Armstrong (1996) may devote equal space to pricing as to product and distribution, but all marketing academics are not convinced of the necessity for marketing to provide specialized courses in pricing.

It appears, however, that the situation is changing. The comments of the academics as to the growing importance of pricing confirm the quantitative results as to the growing number of schools planning to add a pricing course in the next two years. Marketing educators appear to be responding to businesses' renewed concern for pricing. By giving equal attention to all the four Ps, marketing educators in the USA can provide the knowledge necessary to provide customer value in the competitive marketplace of today.



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**[Illustration]**

Caption: Table I; What is needed in marketing education; Table II; Marketing chairs' rating of pricing education importance; Table III; Mean responses to importance of pricing education for business students

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